the Results

// Cost Segregation & Fixed Assets

Restaurant

Client Profile

McGuire Sponsel professionals were contacted to perform a cost segregation study for a restaurant property built two years earlier. The client had operated her local restaurant in a leased property for several years before deciding to construct a new facility. She had classified the kitchen appliances and dining area furniture properly, but $2.2 million of work performed by a general contractor was all capitalized as 39-year real property.

The Challenge

McGuire Sponsel's team completed a detailed, engineering-based cost segregation analysis of the property. Our specialists physically inspected the property and reviewed the general contractor's proposal, change orders, and invoices, and all architectural and engineering drawings.

Our deliverable report included detailed documentation and calculations for each item of property and cited tax law to support corrected classification of 22 percent of the investment to personal property and land improvements.

Study Results

Based on our study, the client was eligible to receive a catch-up depreciation deduction of $225,000 on her current year tax return. This adjustment increased cash flows over the next five years by $124,000 and produced an estimated net present value of tax savings in excess of $90,000 over the life of the investments.

> **McGuire Sponsel helped this client generate increased cash flows of $124,000 over the first five years and NPV of tax savings in excess of $90,000.**

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